

From: John Graham [jgraham@kecu.org]
Sent: Monday, April 06, 2009 12:14 PM
To: _Regulatory Comments
Subject: John Graham - Comments on Advanced Notice of Proposed Rulemaking for Part 704

NCUA Board,

Corporates should focus on the core services of settlement, payment systems, and meeting the short-term investment and liquidity needs of their member credit unions. Until recently, corporates were considered a safe haven when a natural person credit union could invest as much as they wished. Even examiners were supportive of this form of investment. Hopefully, corporates will regain the confidence they once had with credit unions and the regulators.

Do we currently have too many corporate, probably so. I agree with the argument of economies of scale. However, like credit unions, corporates come in a range of size and offerings. This allows credit unions to select the corporate(s) they feel most comfortable working with. As a small credit union trying to compete against much larger credit unions, it would be contrary for me to support eliminating small corporates just based on their size. I'm not sure that a national field of membership would be beneficial. I think regional can be effective but too much competition and risk taking can take place with corporate credit unions that have national field of membership.

Corporates should be required to have at least 4% capital. Risk-based Capital should also be required. Natural person credit unions that use corporate credit unions should be required to maintain contributed capital in their corporate.

The governance of corporate credit unions should be entirely of natural person credit union representatives. I think term limits would be beneficial to ensure that there are fresh ideas are brought to the Board. I am not supportive of paying the Board members. The credit union movement was based on a volunteer system. I think paying corporate Board members is contrary to the volunteer system.

John A. Graham
President/CEO
Kentucky Employees Credit Union